

ASX ANNOUNCEMENT

ASX:YPB | 30 January 2024

Q4 closes record low year for operating cash burn

- **Fiscal 2023 operating cash consumption lowest in company's history**
- **Full year operating cash consumption down 22% on pcp**
- **Potential for better 2024 cash receipts and ongoing tight cost control**
- **Trends in consumer engagement auger well for 2024 revenues**

Authentication and consumer engagement solutions creator **YPB Group Limited (ASX: YPB)** presents highlights of activities for the quarter ended 31 December 2023 (Q4 2023).

Operating cash consumption in Q4 2023 of \$627k was the softest quarterly result in 2023, but followed the lowest ever cash use quarters, and compared favourably to almost all prior historic quarters.

More illustrative of the true trends in the business, removing quarterly fluctuations, was annual operating cash use in 2023 of \$2.1m, down 22% from the \$2.7m of 2022. Receipts were down modestly between the two years, but the improved result followed further tightening of the cost screws while still investing strongly in technology products and marketing.

Q4 2023 softer revenues with mildly higher cash operating spend

Cash receipts in Q4 2023 of \$76k were the weakest of the year but simply reflected quarterly ebbs and flows of business, rather than any deteriorating trend. Existing and new products are expected to drive revenues higher through 2024.

Cash gross margin remained steady in Q4 at 98%, again demonstrating the intellectual property inherent in the company's products. The very high gross margin remains a key element in the company's profit-leveraged path to profitability.

Operating cash costs rose 9% in the quarter. Increased marketing spend on targeted digital marketing produced tangible client activity with the full payoff to be felt in subsequent periods. The other cost increase of note was leased assets where rents deferred from prior periods happened to fall in the quarter. Other than that, a \$38k R&D increase was offset by a \$35k reduction in staff costs, both largely headcount.

Key projects won, R&D major strides

During the quarter a business update (ASX 11/12/2023) detailed new and existing project progress with:

- Ecocan Recycling in Africa – beverage container recycling;
- Scranton in South Korea – consumer products applications; and
- Addera in Peru – rice packaging.

All three projects illustrate the efficiency with which YPB is now able to pursue global opportunities.

Despite the tight cost control in the business, R&D investment actually increased 20% in 2023 as new product and functionality was developed. In Q4, R&D efforts were primarily focussed on Connect™,



YPB's SaaS digital hub, with the addition of specific functionality to pursue the viral growth of QR adoption by brands and businesses. This has resulted in capabilities likely to be transformative of YPB's place in the global uptake of QR codes.

Development of new products under the NVISO licence (announced ASX 16/03/23) again made no progress with NVISO failing to meet its obligations despite subsequent adjustments to the licence (ASX 31/08/23).

YPB still sees significant opportunity for AI application in its products, but primarily through enhancements in Connect™, where AI is already employed.

Corporate

Further loan funds of \$500k were made available by Executive Chairman John Houston under the terms and conditions announced to the market (ASX 27/12/2023). As previously advised the Company has terminated all Corporate relationships with EverBlu.

The company also opened a \$2m at-the-market facility with Dolphin Securities and raised \$18,900 from it in the quarter. ATMs essentially allow new equity to be issued directly into the market without the dilutive discounts typical of conventional placements. ATMs are widely used in the USA.

As of 31 December 2023, the Company held \$568k in cash and cash equivalents.

During the quarter the Company made payments of \$29k to related parties and their associates. This comprised payments related to the CEO/Chairman's existing remuneration agreement with the Company.

YPB Executive Chairman and Group CEO John Houston said: *"Our operational cash use in 2023 of just over \$2m was illustrative of our resolve to become self-funding while still positioning for rapid growth. Receipts were weaker than hoped due a few factors out of our control, but our cost focus kept the result tight despite deliberately increased investment in R&D and marketing.*

We have exciting, transformative products and plans for YPB and I expect 2024 to be our best year yet by a considerable margin.

This announcement has been authorised by the Board of YPB Group Limited.

Ends.



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About YPB Group

YPB Group Limited (ASX: YPB) is listed on the Australian Stock Exchange and has developed and sells of a suite of physical, digital, and AI-based authentication technologies with a vast range of applications. Our solutions can easily authenticate a myriad of items, such as FMCG (fast-moving consumer goods) products, official identification documents, pharmaceuticals, nutraceuticals, dairy products, tax stamps, transactions - and even people.

Our solutions trigger engagement with consumers in a consented, cost-effective, and direct manner. Our proprietary technologies utilise Bluetooth and/or smartphones to capture and analyse invaluable authentication data in our Connect™ global platform, providing real-time, first-party, and worldwide market intelligence data. This actionable data enables brands to establish digital and direct marketing channels with their customers.

The markets YPB is targeting comprise many billions of items, and this number is growing rapidly, providing YPB with significant growth opportunities for its authentication and consumer engagement. To learn more please visit: ypbsystems.com

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

YPB Group Ltd

ABN

68 108 649 421

Quarter ended ("current quarter")

31 December 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	76	712
1.2	Payments for		
	(a) research and development	(163)	(529)
	(b) product manufacturing and operating costs	(1)	(8)
	(c) advertising and marketing	(44)	(89)
	(d) leased assets	(54)	(147)
	(e) staff costs	(238)	(1,006)
	(f) administration and corporate costs	(203)	(806)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	15
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Return of deposits from office rentals	-	-
1.9	Other (Refund from legal deposit)	-	200
1.10	Other (GST/VAT refund)	41	26
1.11	Net cash from / (used in) operating activities	(584)	(1,632)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(c) property, plant and equipment	-	2
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	(300)
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Deposit into an escrow account	-	-
2.6 Other (provide details if material)	-	-
2.7 Net cash from / (used in) investing activities	-	(298)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	19	1,419
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(16)	(16)
3.5 Proceeds from borrowings	500	1,000
3.6 Repayment of borrowings	(58)	(212)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (Corporate Advisory, Research, investor relations, etc.)	(3)	(332)
3.10 Net cash from / (used in) financing activities	442	1,859

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	711	641
4.2	Net cash from / (used in) operating activities (item 1.11 above)	(584)	(1,631)
4.3	Net cash from / (used in) investing activities (item 2.7 above)	-	(298)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	442	1,858
4.5	Effect of movement in exchange rates on cash held	(1)	(2)
4.6	Cash and cash equivalents at end of period	568	568

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	568	711
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	568	711

6. Payments to related parties of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	29
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Capital raise	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (ATM facility)	74	74
7.4 Total financing facilities	74	74
7.5 Unused financing facilities available at quarter end		74
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	<div style="border: 1px solid black; padding: 5px; min-height: 50px;"> N/A </div>	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.11)	(584)
8.2 Cash and cash equivalents at quarter end (item 4.6)	568
8.3 Unused finance facilities available at quarter end (item 7.5)	74
8.4 Total available funding (item 8.2 + item 8.3)	642
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.10
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
<div style="border: 1px solid black; padding: 5px; min-height: 50px;"> Answer: Yes </div>	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
<div style="border: 1px solid black; padding: 5px; min-height: 50px;"> Answer: The Company proposes to raise further cash to fund operations and is in the process of exploring Australian based Brokers and AFSL holders. </div>	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, in view of the answer to 8.6.2.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 January 2024

Authorised by: The board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g., *Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.